

**Welcome to  
HUD's  
RESPA Reform  
Roundtable**

# Goals for RESPA Reform

- Simplicity
- Clarity
- Transparency
- Greater Certainty of Costs

# **The Good Faith Estimate**



## Good Faith Estimate of Settlement Costs (GFE)

Name of Originator \_\_\_\_\_ Borrower \_\_\_\_\_  
 Property Address \_\_\_\_\_ Address \_\_\_\_\_  
 \_\_\_\_\_  
 Phone \_\_\_\_\_

### About Your GFE

What is a GFE? This GFE gives you an estimate of your settlement costs and loan terms if you are approved for this loan.

How should you use this GFE to shop for the best loan? You are the only one who can shop for the best loan for you. You should compare this GFE with other loan offers. By comparing loan offers, you can shop for the best loan. Use the table on Page 4 to compare all the offers you receive.

This terms and conditions of this GFE are valid for 10 business days from this date \_\_\_\_/\_\_\_\_/\_\_\_\_.

Keep this GFE to compare with your actual costs at settlement.

### Summary of Your Loan Terms for This Estimate.

#### Your Loan Details

Your loan amount will be:		\$
Your loan is	<input type="checkbox"/> A Fixed Rate Loan	<input type="checkbox"/> An Adjustable Rate Loan
Your interest rate	%	% initially, then it will adjust. The interest rate adjustment will be based on the index and can change up to percentage points. Your first adjustment will occur in (months or years)
Your loan term	years	years
Your monthly payment for principal, interest, and any mortgage insurance	\$	\$ The maximum your monthly payment for principal, interest, and any mortgage insurance could be is \$

First page of **2004 GFE** would have included:

- Borrower information
- How to use the GFE
- Summary of loan terms
- Summary of total estimated charges

### Your Settlement Costs

Your Adjusted Origination Charges (see items 1 and 2 on page 2)	
Your Charges for All Other Settlement Services (see items 3 through 10 on page 2)	
<b>Total Estimated Settlement Charges</b>	<b>\$</b>



**Understanding Which Charges Can Change at Settlement**

The charges listed on page 2 are all part of the total estimated amount that you will have to pay at settlement. Below we list which charges can change at settlement. Some of the charges can appear in more than one section, depending upon who chooses the provider of the service.

**These charges cannot increase at settlement:**

1. Our service charge
2. Your charge or credit for the specific interest rate chosen (after you lock in your interest rate)

**The sum of these charges cannot increase more than 10% at settlement:**

3. Required services that we select
4. Title services and lender's title insurance (if we select them or you use providers referred by us)
5. Required services that you can shop for (if you use providers referred by us)

**These charges can change at settlement:**

4. Title services and lender's title insurance (if you choose them)
5. Required services that you can shop for (if you choose them)
6. Taxes and fees
7. Reserves or escrow
8. Daily interest rate charges
9. Homeowner's insurance
10. Optional owner's title insurance

**Understanding the Trade-off Between the Charges for Your Loan and Your Interest Rate**

	<i>The loan in this GFE</i>	<i>A loan with a lower interest rate</i>	<i>A loan with lower settlement costs</i>
Your loan amount	\$	\$	\$
Your interest rate	%	%	%
How much your monthly payment will be	\$	\$	\$
How much more or less in monthly payments from this GFE	No Change	You will pay \$ less every month	You will pay \$ more every month
How much more or less you will pay at settlement with this interest rate	No Change	Your lower interest rate will raise your settlement costs by \$	Your higher interest rate will lower your settlement costs by \$
How much your total estimated settlement charges will be	\$	\$	\$

We have offered you a particular interest rate and estimated settlement costs in this GFE. But, it is important that you see how this loan compares to others that you could choose.

- If you want to choose a loan with a **lower interest rate**, then you will have **higher settlement costs**.
- If you want to choose a loan with **lower settlement costs**, then you will have a **higher interest rate**.

The table above shows how the loan that we've offered you in this GFE compares to these different options. The loan in this GFE is in the first column. In the middle column is a loan with a lower interest rate. In the last column is a loan with lower settlement costs.

If you would like one of these options, you can ask for a new GFE.

If this loan offer is for an adjustable rate mortgage, the comparisons in the table are for the initial interest rate before any adjustments are made.

**Proceeding with This Application**

If you would like to proceed with this mortgage application, you must pay a fee of \$ \_\_\_\_\_ which will be applied toward your settlement costs.

The interest rate and points on this GFE are available until \_\_\_\_/\_\_\_\_/\_\_\_\_. After that, they float until you lock. You must lock in the interest rate at least \_\_\_\_\_ days before settlement.


Third page of **2004 GFE form** would have included:

- Description of tolerances
- Chart describing effect of higher or lower interest rate on settlement charges
- Explanation of how long costs provided in GFE remain unchanged.

- Fourth page of the **GFE form, contemplated in 2004**, would have consisted of a shopping page, allowing consumers to easily compare different loan offers.

### Mortgage Shopping Chart


- Use this chart to compare Good Faith Estimates (GFEs) and Mortgage Package Offers (MPOs). Fill in the information by using a different column for each GFE or MPO you receive.
- By comparing loan offers, you can shop for the best loan offers, you can shop for the best loan.

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6
Loan Originator Name						
<b>Loan Details</b>						
Loan Amount						
Interest Rate						
Loan Term						
Monthly Payment						
Total Estimated Settlement Charges 						

# Consideration of GFE Tolerances

- **In 2002**, HUD proposed to establish different tolerances for various categories of settlement services.
- **In 2004**, HUD would have simplified the tolerances. The originator's charge would still have been fixed, but instead of other third party charges each having a 10% tolerance, the sum of those charges would have had a 10% tolerance.

# **Yield Spread Premium (YSP) Disclosure**

 Good Faith Estimate  
of Settlement Costs (GFE)

Understanding  
Your Estimated  
Settlement  
Charges

**Your Charges for Loan Origination**

<p><b>1. Our service charge</b> These charges are for the services we provide when we get and process this loan for you.</p>	
<p><b>2. Your credit or charge for the specific interest rate chosen (points)</b></p> <p><input type="checkbox"/> The credit or charge for the interest rate you have chosen is included in "Our service charge." (See item 1 above)</p> <p><input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of ____%. This credit reduces your upfront charges.</p> <p><input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of ____%. This payment (discount points) increases your upfront charges. (See the table on page 3 to see how you can change this charge or credit by choosing a different interest rate.)</p>	
<b>A</b> Your Adjusted Origination Charges \$ _____	

**Your Charges for All Other Settlement Services**

<p><b>3. Required services that we select</b> These charges are for services we require to complete your settlement. We will choose the providers of these services.</p> <table border="1"> <thead> <tr> <th>Service</th> <th>Cost</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Service	Cost							
Service	Cost								
<p><b>4. Title services and lender's title insurance</b> This charge includes the services of a title agent, for example, and title</p>									

**Your Charges for Loan Origination**

<p><b>1. Our service charge</b> These charges are for the services we provide when we get and process this loan for you.</p>	
<p><b>2. Your credit or charge for the specific interest rate chosen (points)</b></p> <p><input type="checkbox"/> The credit or charge for the interest rate you have chosen is included in "Our service charge." (See item 1 above)</p> <p><input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of ____%. This credit reduces your upfront charges.</p> <p><input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of ____%. This payment (discount points) increases your upfront charges. (See the table on page 3 to see how you can change this charge or credit by choosing a different interest rate.)</p>	
<b>A</b> Your Adjusted Origination Charges \$ _____	

- In **2002**, YSP and discount points would have been disclosed as “interest rate dependent payment.”
- In **2004**, they would have been the “credit or charge for the specific interest rate chosen.”

- In the **GFE, contemplated in 2004**, section 2 for brokers would have shown a charge or credit by a check in the second *or* third box. The amount of charge or credit was contemplated to be determined based on the par rate for the loan.
- In the **GFE, contemplated in 2004**, the amount in section 1 for brokers would have included all fees received for loan origination, including any payments from the lender to the broker.

<b>Your Charges for Loan Origination</b>	
<p>1. <b>Our service charge</b>            These charges are for the services we provide when we get and process this loan for you.</p>	<b>\$4,500.00</b>
<p>2. <b>Your credit or charge for the specific interest rate chosen (points)</b></p> <p><input type="checkbox"/> The credit or charge for the interest rate you have chosen is included in "Our service charge." (See item 1 above)</p> <p><input checked="" type="checkbox"/> You receive a credit of \$ 1,700.00 for this interest rate of 6%. This credit reduces your upfront charges.</p> <p><input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of ____%. This payment (discount points) increases your upfront charges.            (See the table on page 3 to see how you can change this charge or credit by choosing a different interest rate.)</p>	<b>-\$1,700.00</b>
<b>A</b>	<b>Your Adjusted Origination Charges \$ 2,800.00</b> ◀

- In the **GFE, contemplated in 2004**, a lender could have chosen a charge or credit for the interest rate in section 2, or include the charge or credit in its service charge in section 1. If the lender included all in the service charge, then the lender would check the first box in section 2 and enter zero on the right.
- In the **2004 GFE**, if the lender entered zero in section 2, then the amount in section 1 equaled “Your Adjusted Origination Charges.”

<b>Your Charges for Loan Origination</b>	
<b>1. Our service charge</b> These charges are for the services we provide when we get and process this loan for you.	<b>\$2,800.00</b>
<b>2. Your credit or charge for the specific interest rate chosen (points)</b> <input checked="" type="checkbox"/> The credit or charge for the interest rate you have chosen is included in "Our service charge." (See item 1 above) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of ____%. This credit reduces your upfront charges. <input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of ____%. This payment (discount points) increases your upfront charges. (See the table on page 3 to see how you can change this charge or credit by choosing a different interest rate.)	<b>\$0.00</b>
<b>A</b>	<b>Your Adjusted Origination Charges \$ 2,800.00</b>

# **Mortgage Packaging**

In **2004**, to qualify for safe harbor from RESPA section 8, a mortgage packager must have provided:

- **Guaranteed price** for most settlement services necessary to close the loan; and
- **Interest rate that is fixed** or would have changed **only** according to posted pricing.

In **2002**, HUD proposed:

- Guaranteed Mortgage Package Agreement (GMPA);
- Guaranteed price open for 30 days;
- No upfront fee; and
- GMPA would not have required itemization of services at time of application.

In **2004**, HUD considered:

- Mortgage Package Offer (MPO) instead of GMPA;
- Guaranteed price open for 10 days;
- Nominal upfront fee would have been allowed; and
- MPO would have required packager to indicate whether package included certain services.

 **Mortgage Package Offer (MPO)**

Name of Originator \_\_\_\_\_ Borrower \_\_\_\_\_  
 Property Address \_\_\_\_\_ Address \_\_\_\_\_  
 \_\_\_\_\_  
 Phone \_\_\_\_\_

**About Your MPO**

What is an MPO? This MPO is an offer for a mortgage loan from us that includes:

- A guaranteed price for a package that includes most of the settlement services needed to get the loan.
- An interest rate and points that are guaranteed if you accept this offer and lock in by \_\_\_\_/\_\_\_\_/\_\_\_\_. Otherwise, they will float until you lock.
- An agreement that binds us to provide you the loan described in this document if you are approved for this loan.

This MPO is based on your statements that your gross monthly income is \$ \_\_\_\_\_, the value of the property is \$ \_\_\_\_\_ and on a credit analysis that we conduct. We will verify your monthly income, the property value, your credit rating, and other information that you've provided to us.

How should you use this MPO to shop for the best loan? You are the only one who can shop for the best loan for you. You should compare this MPO with other loan offers. By comparing loan offers, you can shop for the best loan. Use the table on page 4 to compare all the offers you receive.

The terms and conditions of this MPO are valid for 10 business days from this date \_\_\_\_/\_\_\_\_/\_\_\_\_.

Keep this MPO to compare with your actual costs at settlement.

**Summary of Your Loan Terms for This Estimate**

**Your Loan Details**

Your loan amount will be:	\$ _____	
Your loan is	<input type="checkbox"/> A Fixed Rate Loan	<input type="checkbox"/> An Adjustable Rate Loan
Your interest rate	_____ %	_____ % initially, then it will adjust. The interest rate adjustment will be based on the index and can change up to _____ percentage points. Your first adjustment will occur in _____ (months or years)
Your loan term	_____ years	_____ years
Your monthly payment for principal, interest, and any mortgage insurance	\$ _____	\$ _____ The maximum your monthly payment for principal, interest, and any mortgage insurance could be is \$ _____
Your rate lock period	_____ days. After you lock in your interest rate, you must go to settlement within this number of days to be guaranteed this interest rate.	

**Your Settlement Costs**

Charge for Your Guaranteed Mortgage Package (item 1 on page 2)	
Charge or Credit for the Specific Interest Rate Chosen (item 2 on page 2)	
Estimated Charges for Settlement Services Outside the Package (items 3-6 on page 2)	
<b>Total Estimated Settlement Charges</b>	<b>\$ _____</b>

The first page of the contemplated **2004 MPO** was the same as the first page of the **2004 GFE**. It included:

- Borrower information
- How to use the MPO
- Summary of loan terms
- Summary of total estimated charges

Understanding Your Settlement Charges

Charge for Your Guaranteed Mortgage Package		Mortgage Package Offer (MPO)	
<p>1. Your guaranteed mortgage package Your guaranteed mortgage package is one fixed price for most of the services that you will need to get your loan. This price cannot change before settlement. This package includes the charges for the following services, if needed:</p> <p><b>Service charge</b> This charge is for the services we provide when we process this loan for you.</p> <p><b>Other required settlement services</b> This charge is for certain services we require to complete your settlement, for example, an appraisal, credit report, or survey. We will choose the providers of these services.</p> <p><b>Title services and lender's title insurance</b> This charge includes the services of a settlement agent, for example, and title insurance to protect the lender, if required.</p> <p><b>Taxes and fees</b> This charge includes state and local taxes and fees.</p>			
Charge for Your Guaranteed Mortgage Package		\$	
<p>2. Your credit or charge for the specific interest rate chosen (points)</p> <p><input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of ____%. This credit reduces your upfront charges.</p> <p><input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of ____%. This payment (discount points) increases your upfront charges.</p> <p>(See the table on page 3 to see how you can change this charge or credit by choosing a different interest rate.)</p>			
Charge or Credit for the Specific Interest Rate Chosen		\$	
<p>Estimated Charges for Settlement Services Outside the Package</p>			
3. Reserves or escrow	This charge is held in an escrow account to pay recurring charges on your property, such as property taxes or insurance.		
4. Daily interest charges	This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. For this loan, this amount is \$ _____ per day for _____ days (if your closing date is ____/____/____).		
5. Homeowner's insurance	This charge is for the insurance you must buy for the property to protect from a loss such as fire.		
6. Optional owner's title insurance	This charge is for insurance you can choose to buy to protect yourself from title defects.		
Estimated Charges for Settlement Services Outside the Package		\$	

Services contemplated to be included in the **2004 MPO** package were:

- Appraisal
- Credit report
- Government charges
- Title insurance and closing services
- Mortgage Insurance
- Survey
- Pest inspection

Services That Will Be in This Package

As part of this mortgage package, we will obtain certain services as indicated below.

	Yes	No		Yes	No
Property Appraisal	<input type="checkbox"/>	<input type="checkbox"/>	Closing Services	<input type="checkbox"/>	<input type="checkbox"/>
Credit Report	<input type="checkbox"/>	<input type="checkbox"/>	Title Search	<input type="checkbox"/>	<input type="checkbox"/>
Pest Inspection	<input type="checkbox"/>	<input type="checkbox"/>	Title Examination	<input type="checkbox"/>	<input type="checkbox"/>
Survey	<input type="checkbox"/>	<input type="checkbox"/>	Lender's Title Insurance	<input type="checkbox"/>	<input type="checkbox"/>

**Understanding Your Settlement Charges**

**Mortgage Package Offer (MPO)**

**Charge for Your Guaranteed Mortgage Package**

1. Your guaranteed mortgage package  
 Your guaranteed mortgage package is one fixed price for most of the services that you will need to get your loan. This price cannot change before settlement. This package includes the charges for the following services, if needed:  
**Service charge**  
 This charge is for the services we provide when we process this loan for you.  
**Other required settlement services**  
 This charge is for certain services we require to complete your settlement, for example, an appraisal, credit report, or survey. We will choose the providers of these services.  
**Title services and lender's title insurance**  
 This charge includes the services of a settlement agent, for example, and title insurance to protect the lender, if required.  
**Taxes and fees**  
 This charge includes state and local taxes and fees.

**Charge for Your Guaranteed Mortgage Package \$**

**Charge or Credit for the Specific Interest Rate Chosen (Points)**

2. Your credit or charge for the specific interest rate chosen (points)  
 You receive a credit of \$ \_\_\_\_\_ for this interest rate of \_\_\_\_ %.  
 This credit reduces your upfront charges.  
 You pay a charge of \$ \_\_\_\_\_ for this interest rate of \_\_\_\_ %.  
 This payment (discount points) increases your upfront charges.  
 (See the table on page 3 to see how you can change this charge or credit by choosing a different interest rate.)

**Charge or Credit for the Specific Interest Rate Chosen \$**

**Estimated Charges for Settlement Services Outside the Package**

3. Reserves or escrow This charge is held in an escrow account to pay recurring charges on your property, such as property taxes or insurance.	
4. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. For this loan, this amount is \$ _____ per day for _____ days (if your closing date is ____/____/____).	
5. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss such as fire.	
6. Optional owner's title insurance This charge is for insurance you can choose to buy to protect yourself from title defects.	

**Estimated Charges for Settlement Services Outside the Package \$**

**Total Estimated Settlement Charges \$**

**Charges That Can Change** All of the charges listed above can change at settlement except for the Charge for Your Guaranteed Mortgage Package and the mortgage insurance. The Charge or Credit for the Specific Interest Rate Chosen can change until you lock in your interest rate.

**Services That Will Be in This Package** As part of this mortgage package, we will obtain certain services as indicated below.

	Yes	No		Yes	No
Property Appraisal	<input type="checkbox"/>	<input type="checkbox"/>	Closing Services	<input type="checkbox"/>	<input type="checkbox"/>
Credit Report	<input type="checkbox"/>	<input type="checkbox"/>	Title Search	<input type="checkbox"/>	<input type="checkbox"/>
Pest Inspection	<input type="checkbox"/>	<input type="checkbox"/>	Title Examination	<input type="checkbox"/>	<input type="checkbox"/>
Survey	<input type="checkbox"/>	<input type="checkbox"/>	Lender's Title Insurance	<input type="checkbox"/>	<input type="checkbox"/>

Services contemplated to not be included in the 2004 MPO package were:

- Reserves or escrow
- Daily interest charges
- Homeowner's insurance
- Owner's title insurance

Understanding the Trade-off Between the Charges for Your Loan and Your Interest Rate

	The loan in this MPO	A loan with a lower interest rate	A loan with lower settlement costs
Your loan amount	\$	\$	\$
Your interest rate	%	%	%
How much your monthly payment will be	\$	\$	\$
How much more or less in monthly payments from this MPO	No Change	You will pay \$ less every month	You will pay \$ more every month
How much more or less you will pay at settlement with this interest rate	No Change	Your lower interest rate will raise your settlement costs by \$	Your higher interest rate will lower your settlement costs by \$
How much your total estimated settlement charges will be	\$	\$	\$

We have offered you a particular interest rate and estimated settlement costs in this MPO. But, it is important that you see how this loan compares to others that you could choose.

- If you want to choose a loan with a lower interest rate, then you will have higher settlement costs.
- If you want to choose a loan with lower settlement costs, then you will have a higher interest rate.

The table above shows how the loan that we've offered you in this MPO compares to these different options. The loan in this MPO is in the first column. In the middle column is a loan with a lower interest rate. In the last column is a loan with lower settlement costs.

If you want one of these options, you can ask for a new MPO.

If this loan offer is for an adjustable rate mortgage, the comparisons in the table are for the initial interest rate before any adjustments are made.

Accepting This Mortgage Package Offer

What should you do if you want to accept this offer?

1. You will need to pay a fee of \$ \_\_\_\_\_ which will be applied towards your settlement charges.
2. You will need to decide to lock in an interest rate now or later. Check the option you would like:
  - I want to accept the offer by signing below and locking in the interest rate now.
  - I want to accept the offer by signing below and will wait to lock in the interest rate. I realize I must lock in the interest rate at least \_\_\_\_\_ days before settlement.

What happens once you accept this offer? We will verify your monthly income, the property value, your credit rating, and other information that you've provided to us. We may ask you for more information. Then we will complete the evaluation of your mortgage application. If you are approved, we will provide the mortgage loan and settlement services exactly as we've outlined in this offer.

What if you are not sure you want to accept this offer? This offer of \$ \_\_\_\_\_ (Guaranteed Mortgage Package Charges), \_\_\_\_\_ (Interest Rate), and \$ \_\_\_\_\_ (Charge or Credit for the Specific Interest Rate Chosen) is valid until \_\_\_\_/\_\_\_\_/\_\_\_\_ (date).

From \_\_\_\_/\_\_\_\_/\_\_\_\_ until \_\_\_\_/\_\_\_\_/\_\_\_\_, the package price is still guaranteed, but the interest rate and points offered will float. The interest rate and points will stop floating when you lock them. You can find current interest rates and points options by going to:

If you do not accept by \_\_\_\_/\_\_\_\_/\_\_\_\_, this offer will expire.

\_\_\_\_\_  
Our Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Your Signature

\_\_\_\_\_  
Date

Third page of the 2004 MPO form would have included:

- Chart describing effect of higher or lower interest rate on settlement charges
- Explanation of how an MPO could have been accepted

- Fourth page of contemplated **2004 MPO** form would have included a shopping page, allowing consumers to easily compare different loan offers.

### Mortgage Shopping Chart

- Use this chart to compare Good Faith Estimates (GFEs) and Mortgage Package Offers (MPOs). Fill in the information by using a different column for each GFE or MPO you receive.
- By comparing loan offers, you can shop for the best loan offers, you can shop for the best loan.

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6
Loan Originator Name						
<b>Loan Details</b>						
Loan Amount						
Interest Rate						
Loan Term						
Monthly Payment						
<b>Total Estimated Settlement Charges</b> ▶						

# Interest Rate Guarantee

- In 2002, interest rate could change only based on publicly available index.
- In 2004, interest rate could change only based on posted pricing.

# Other Issues in Packaging

- Material change?
- Calculation of finance charge?

# Packaging Options

In **2004**, industry would have been permitted to offer Settlement Service Package (SSP) to be used with GFE or MPO. The SSP would have included:

- Title services;
- Government Recording Fees and Transfer Charges;  
and
- Other lender required settlement services that the borrower can choose.

The SSP may have included owner's title insurance for a separate additional charge.

## **In 2004, no restriction on who could offer an SSP:**

- Title insurers
- Escrow companies
- Real estate firms
- Title agents
- Surveyors
- Lenders
- Mortgage brokers
- Affinity groups
- Pest inspectors
- Attorneys
- Anyone

## **In 2004, HUD would have required that a Settlement Services Packager:**

- Must disclose:
  - 30 days to shop
  - SSP becomes part of GFE or loan package
- Must provide a guaranteed lump sum price for charges and services within SSP; and
- Must provide a firm offer that includes an itemized list of services contained in SSP.

# How Would SSP Work With GFE?

- Zero tolerance for SSP price.
- SSP provider would be responsible to borrower for providing all services contained in SSP.

# How Would SSP Work With MPO?

- SSP would have been marketed to MPO packager or to consumer.
- Price of SSP would have been paid by MPO packager in both cases.
- HUD would not have required MPO packagers to use a particular SSP in their mortgage packages just as lenders today cannot be required to use a particular settlement agent.

# **HOEPA Loans in Packaging**

**In 2002, HUD proposed:**

- Loans with total fees or a rate covered by the Home Ownership and Equity Protection Act (HOEPA) were proposed to be excluded from packaging safe harbor.

**In 2004, HUD considered:**

- One year after effective date of any final rule, the packaging safe harbor would have been permitted for HOEPA loans.
- If HOEPA loans can be included in the packaging safe harbor, should HUD require housing counseling to be offered to HOEPA loan recipients before package offer can be accepted?

# **Cures and Remedies**

# Cure for Packaging Violations

- In **2002**, no cure was proposed.
- In **2004**, HUD considered possible cure. Packager would not lose safe harbor if it cured any packaging violations within specified time.

# Remedies for Packaging Violations

In **2002**, HUD proposed loss of safe harbor.

In **2004**, if packager violated packaging requirements **and** failed to cure, HUD considered as possible remedies that the packager would have been subject to:

- Section 8 sanction by HUD;
- Private section 8 action; and/or
- Private contract action.

# Remedies for GFE Violations

- In **2002**, HUD proposed that where fee exceeded tolerance, absent unforeseeable circumstances, borrower would have been able to withdraw application and receive a full refund of all loan related fees.
- In **2004**, HUD would have removed provision on borrower withdrawing application. Failure to meet tolerances may have constituted unfair practice under state law.